

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
Filing to increase Unbundled Loop and)	Docket No. 02-0864
Nonrecurring Rates (Tariffs filed December)	
24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

AT&T/Joint CLECs Ex. 1

ATTACHMENT 1

Curriculum Vitae of Michael Starkey

MICHAEL STARKEY
PROFESSIONAL INFORMATION

CONTACT INFORMATION:

QSI Consulting, Inc.
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Jefferson City, Missouri 65101

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CURRENT POSITION:

President and Founding Partner, QSI Consulting, Inc.

PROFESSIONAL EXPERIENCE:

Competitive Strategies Group, Ltd.

Founding Partner
*Senior Vice President and Managing Director of
Telecommunications Services*

Maryland Public Service Commission

Telecommunications Division
Director

Illinois Commerce Commission

Office of Policy and Planning
Senior Telecommunications Policy Analyst

Missouri Public Service Commission

Utility Operations Division
Telecommunications Department
Economist

EDUCATION:

B.S. Economics / International Marketing

- Southwest Missouri State University, Springfield, Missouri
- *Cum Laude* Honor Graduate

Graduate Coursework, Finance

- Southwest Missouri State University, Springfield, Missouri
- Lincoln University, Jefferson City, Missouri

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PROFESSIONAL INFORMATION

Professional Activities

- Facilitator, *C³ Coalition* (Competitive Carrier Coalition - Ameritech Region). Facilitate industry organization representing 10-15 competitive carriers seeking to share information and “best practices” with respect to obtaining effective interconnection, UNEs and resold services from SBC/Ameritech.
- Former member of the Missouri Public Service Commission’s Task Force on FCC Docket Nos. 91-141 and 91-213 regarding expanded interconnection, collocation, and access transport restructure
- Former member of the AT&T / Missouri Commission Staff, *Total Quality Management Forum* responsible for improving and streamlining the regulatory process for competitive carriers
- Former member of the Missouri, Oklahoma, Kansas, Texas, and Arkansas five state Southwestern Bell Open Network Architecture (ONA) Oversight Conference
- Former delegate to the Illinois, Michigan, Indiana, Ohio, and Wisconsin Ameritech Regional Regulatory Conference (ARRC) charged with the responsibility of analyzing Ameritech’s “Customers First” local exchange competitive framework for formulation of recommendations to the FCC and the U.S. Department of Justice
- Former member of both the Illinois and Maryland Local Number Portability Industry Consortia responsible for developing and implementing a permanent database number portability solution

Testimony Profile and Experience

Before the Wisconsin Public Service Commission

Docket No. 6720-TI-177

Investigation Into Ameritech Wisconsin’s Loop Conditioning Services and Practices

On behalf of WorldCom, Inc., AT&T Communications of Wisconsin, L.P. and TCG Milwaukee, McLeodUSA Telecommunications Services, Inc., TDS Metrocom, LLC

Before the Michigan Public Service Commission

Case No. U-11756 - REMAND

Complaint Pursuant to Sections 203 and 318 of the Michigan Telecommunications Act to Compel

Respondents to Comply with Section 276 of the Federal Telecommunications Act

On behalf of the Michigan Pay Telephone Association

Before the New York Public Service Commission

Case No. 00-C-0127

Proceeding on the Motion of the Commission to Examine Issues Concerning Provision of Digital Subscriber Line Services

On behalf of MCI Worldcom Network Services, Inc.

Before the Indiana Utility Regulatory Commission

Cause No. 42236

Complaint of Time Warner Telecom Against Ameritech Indiana Regarding Its Unlawful Market Practice of Issuing Equipment Vouchers in Violation of the Indiana Code and Opportunity Indiana II and Petition for

MICHAEL STARKEY
PROFESSIONAL INFORMATION

Emergency Suspension of any and all Ameritech Indiana Equipment Voucher Marketing Practices Pending Commission Investigation
On behalf of Time Warner Telecom of Indiana, LP

Before the Pennsylvania Public Utility Commission
Docket No. P-00930715F0002

Re: Verizon Pennsylvania Inc., Petition and Plan for Alternative Form of Regulation Under Chapter 30, 2000 Biennial Update to Network Modernization Plan
On behalf of MCI Worldcom Network Services, Inc.

Before the Illinois Commerce Commission
Docket No. 01-0609

Investigation of the propriety of the rates, terms, and conditions related to the provision of the Basic COPTS Port and the COPTS-Coin Line Port
On behalf of Payphone Services, Inc., DataNet Systems, LLC, Illinois Public Telecommunications Association

Before the Indiana Utility Regulatory Commission
Cause No. 40611-S1 (Phase II)

In the Matter of: The Commission Investigation and Generic Proceeding on Ameritech Indiana's Rates for Interconnection Service, Unbundled Elements, and Transport and Termination under the Telecommunications Act of 1996 and Related Indiana Statutes
On behalf of AT&T, Worldcom, Inc., and McLeodUSA Telecommunications Services, Inc.

Before the State of North Carolina Utility Commission
Docket No. P-7, Sub 980, P-10, Sub 622

Enforcement of Interconnection Agreement Between KMC Telecom III, Inc. and KMC Telecom V, Inc., against Carolina Telephone and Telegraph Company and Central Telephone Company
On behalf of KMC Telecom, Inc.

Before the Illinois Commerce Commission
Docket Nos. 98-0252, 98-0335, 98-0764 (Reopening)

SBC/Ameritech Merger, Reopening to Discuss Settlement Agreement Regarding Merger Savings
On behalf of AT&T, Worldcom, Inc., and McLeodUSA Telecommunications Services, Inc.

Before the Public Utility Commission of Ohio
Docket No. 01-1319-TP-ARB

In the Matter of MCImetro Access Transmission Services, LLC Petition for Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with Ameritech Ohio
On behalf of MCIWorldcom, Inc.

Before the Illinois Commerce Commission
Docket No. 00-0393 (Rehearing)

Illinois Bell Telephone Company, d/b/a Ameritech Illinois Proposed Implementation of High Frequency Portion of the Loop (HFPL)/Line Sharing Service
On behalf of AT&T Communications of Illinois, Inc. and Worldcom, Inc.

Before the Wisconsin Public Service Commission
Case No. 6720-TI-167

Complaint Against Ameritech Wisconsin Filed by Wisconsin Builders Association, Inc.
On behalf of Wisconsin Builders Association, Inc.

Before the Public Service Commission of South Carolina

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Docket No. 2001-65-C

In the Matter of Generic Proceeding to Establish Prices For BellSouth's Interconnection Services, Unbundled Network Elements and Other Related Elements and Services

On behalf of NuVox Communications, Broadslate Networks, KMC Telecom, New South Communications, ITC^Deltacom Communications

Before the Louisiana Public Service Commission

Docket No. 27821

In the Matter of Generic Proceeding to Establish Interim and Permanent Prices for Docket No. 27821 xDSL Loops and/or Related Elements and Services

On behalf of Covad Communications

Before the Public Utility Commission of Ohio

Case No. 00-942-TP-COI

In the Matter of the Further Investigation into Ameritech Ohio's Entry into In-Region Interlata Service Under Section 271 of the Telecommunications Act of 1996

On behalf of AT&T, WorldCom and XO Communications

Before the Washington Utilities and Transportation Commission

Docket No. UT 003013, Part B

In the Matter of the Continued Costing and Pricing of Unbundled Network Elements, Transport and Termination

On behalf of Focal Communications, XO Washington, Inc.

Before the Illinois Commerce Commission

Docket No. 98-0195

Investigation into certain payphone Issues as directed in Docket No. 97-0225

On behalf of the Illinois Pay Telephone Association

Before the Alabama Public Service Commission

Docket No. 27821

Generic Proceeding to Establish Interim and Permanent Prices for xDSL Loops and/or Related Elements and Services

On behalf of The Data Coalition (Covad Communications and Broadslate Networks of Alabama, Inc.)

Before the Wisconsin Public Service Commission

Docket No. 6720-TI-160

Docket No. 6720-TI-161

Investigation Into Ameritech Wisconsin's Unbundled Network Elements

On behalf of AT&T, Worldcom, McLeodUSA, TDS Metrocom, KMC Telecom, Time Warner Telecom, Rhythms Links,

Before the Tennessee Regulatory Authority

Docket No. 00-00544

Generic Docket to Establish UNE Prices for Line Sharing per FCC 99-355, and Riser Cable and Terminating Wire as Ordered in Authority Docket No. 98-00123

On behalf of Covad Communications, Inc., Mpower Communications and BroadSlate Networks of Tennessee, Inc.

Before the Public Utilities Commission of the State of Hawaii

Docket No. 7702, Phase III

Instituting a Proceeding on Communications, Including an Investigation of the Communications Infrastructure of the State of Hawaii

On behalf of GST Telecom Hawaii, Inc.

Before the North Carolina Utilities Commission

Docket P100 Sub 133d, Phase II

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General Proceeding to Determine Permanent Pricing for Unbundled Network elements
On behalf of a consortium of 13 new entrant carriers

Before the Federal Communications Commission

CCB/CPD No. 00-1

In the Matter of Wisconsin Public Service Commission Order Directing Filings

On behalf of the Wisconsin Pay Telephone Association

Before the North Carolina Utilities Commission

Docket P100 Sub 133d, Phase I

General Proceeding to Determine Permanent Pricing for Unbundled Network elements

On behalf of a consortium of 13 new entrant carriers

Before the State of New York Public Service Commission

Case No. 98-C-1357

Proceeding on Motion of the Commission to Examine New York Telephone Company's Rates for Unbundled Network Elements

On behalf of the CLEC Coalition

Before the Public Utilities Commission of the State of California

Rulemaking 0-02-05

Order Instituting Rulemaking on the Commission's Own Motion into reciprocal compensation for telephone traffic transmitted to Internet Service Providers modems

On behalf of ICG Telecom Group, Inc.

Before the Public Utilities Commission of the State of Colorado

Docket No. 00B-103T

In the Matter of Petition by ICG Telecom Group, Inc. for Arbitration of an Interconnection Agreement with US West Communications, Inc. Pursuant to Section 252(b) of the Telecommunications Act of 1996.

On behalf of ICG Telecom Group, Inc.

Before the Delaware Public Service Commission

PSC Docket No. 00-205

For Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with Bell Atlantic – Delaware, Inc.

On behalf of Focal Communications Corporation of Pennsylvania

Before the Georgia Public Service Commission

Case No. 11641-U

Petition of Bluestar Networks, Inc. for Arbitration with BellSouth Docket No. 11641-U Telecommunications, Inc. pursuant to Section 252(b) of the Telecommunications Act of 1996

On behalf of BlueStar Networks, Inc.

Before the New Jersey Board of Public Utilities

Docket No. TO00030163

For Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with Bell Atlantic-New Jersey, Inc.

On behalf of Focal Communications Corporation

Before the Pennsylvania Public Utility Commission

Docket No. A-310630F.0002

For Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with Bell Atlantic-Pennsylvania

On behalf of Focal Communications Corporation

Before the Michigan Public Service Commission

Case No. U-12287

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In the matter of the application, or in the alternative, complaint of AT&T COMMUNICATIONS OF MICHIGAN, INC. against Michigan Bell Telephone Company, D/B/A, Ameritech Michigan
On behalf of AT&T Communications of Michigan, Inc.

Before the Missouri Public Service Commission

Case No. 99-483

An Investigation for the Purpose of Clarifying and Determining Certain aspects Surrounding the Provisioning Of Metropolitan Calling Area Services After the Passage and Implementation Of the Telecommunications Act of 1996

On behalf of McLeodUSA Telecommunications Services, Inc.

Before the Illinois Commerce Commission

Docket No. 98-0396

Investigation into the compliance of Illinois Bell Telephone Company with the order in Docket 96-0486/0569 Consolidated regarding the filing of tariffs and the accompanying cost studies for interconnection, unbundled network elements and local transport and termination and regarding end to end bundling issues.

On behalf of AT&T Communications of Illinois, Inc. and McLeodUSA Telecommunications Services, Inc.

Before the Illinois Commerce Commission

Docket No. 99-0593

Investigation of Construction Charges

On behalf of McLeodUSA Telecommunications Services, Inc., MCI WorldCom, Inc. and Allegiance Telecom, Inc.

Before the Public Service Commission of Wisconsin

Case No. 05-TI-283

Investigation of the Compensation Arrangements for the Exchange of Traffic Directed to Internet Service Providers

On behalf of AT&T Communications of Wisconsin, AT&T Local Services, KMC Telecom, Inc., MCI WorldCom, Inc., McLeodUSA Telecommunications Services, Inc., TDS MetroComm, Time Warner Telecom

Before the Public Utility Commission of Texas

Docket No. 21982

Proceeding to Examine Reciprocal Compensation Pursuant to Section 252 of the Federal Telecommunications Act of 1996

On behalf of ICG Communications, Inc.

Before the Public Service Commission of the Commonwealth of Kentucky

Case No. 99-498

Petition of BlueStar Networks, Inc. for Arbitration with BellSouth Telecommunications, Inc. Pursuant to Section 252 of the Telecommunications Act of 1996.

On behalf of BlueStar Networks, Inc.

Before the Illinois Commerce Commission

Docket No. 00-0027

Petition for Arbitration Pursuant to Section 252(b) of the Telecommunications Act of 1996 to Establish an Interconnection Agreement with Illinois Bell Telephone Company d/b/a Ameritech Illinois.

On behalf of Focal Communications Corporation of Illinois

Before The Indiana Utility Regulatory Commission

Cause No. 41570

In the Matter of the Complaint of McLeodUSA Telecommunications Services, Inc. against Indiana Bell Telephone Company, Incorporated, d/b/a Ameritech Indiana, Pursuant to the Provisions of I.C. §§ 8-1-2-54, 81-12-68, 8-1-2-103 and 8-1-2-104 Concerning the Imposition of Special Construction Charges.

On behalf of McLeodUSA Telecommunications Services, Inc.

Before the Florida Public Service Commission

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Docket No. 991838-TP

Petition for Arbitration of BlueStar Networks, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996

On behalf of BlueStar Networks, Inc.

Before the Public Utility Commission of Ohio

Case No. 99-1153-TP-ARB

In the Matter of ICG Telecom Group, Inc.'s Petition For Arbitration of Interconnection Rates, Terms and Conditions and Related Arrangements with Ameritech Ohio

On behalf of ICG Telecom Group, Inc.

Before the Public Utility Commission of Oregon

ARB 154

Petition for Arbitration of GST Telecom Oregon, Inc. Against US West Communications, Inc. Under 47 U.S.C. §252(b)

On behalf of GST Telecom Oregon, Inc.

Before the Michigan Public Service Commission

Docket No. U-12072

In the matter of the application and complaint of WORLD COM TECHNOLOGIES INC. (f/k/a MFS INTELENET OF MICHIGAN, INC., an MCI WORLD COM company) against MICHIGAN BELL TELEPHONE COMPANY d/b/a AMERITEHC MICHIGAN, AMERITECH SERVICES, INC., AMERITECH INFORMATION INDUSTRY SERVICES, AND AMERITECH LONG DISTANCE INDUSTRY SERVICES relating to unbundled interoffice transport.

On behalf of WorldCom Technologies, Inc.

Before the Illinois Commerce Commission

Docket No. 99-0525

Ovation Communications, Inc. d/b/a McLeodUSA, Complaint Against Illinois Bell Telephone Company d/b/a Ameritech Illinois, Under Sections 13-514 and 13-515 of the Public Utilities Act Concerning the Imposition of Special Construction Charges and Seeking Emergency Relief Pursuant to Section 13-515(e)

On behalf of McLeodUSA

Before the Public Service Commission of the Commonwealth of Kentucky

Case No. 99-218

Petition of ICG Telecom Group, Inc. for Arbitration with BellSouth Telecommunications, Inc. Pursuant to Section 252 of the Telecommunications Act of 1996.

On behalf of ICG Telecom Group, Inc.

Before the Tennessee Regulatory Authority

Docket No. 1999-259-C

Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. Pursuant to the Telecommunications Act of 1996

On behalf of ICG Communications, Inc.

Before the New Mexico Public Regulation Commission

Case No. 3131

In the Matter of GST Telecom New Mexico, Inc.'s Petition for Arbitration Against US West Communications, Inc., Under 47 U.S.C. § 252(b).

On behalf of GST Telecom New Mexico, Inc.

Before the Georgia Public Service Commission

Docket No. 10767-U

Petition of ICG Telecom Group, Inc. for Arbitration with BellSouth Telecommunications, Inc. Pursuant to Section 252 of the Telecommunications Act of 1996.

On behalf of ICG Telecom Group, Inc.

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Before the Public Service Commission of New York

Case No. 99-C-0529

Proceeding on Motion of the Commission to Re-examine Reciprocal Compensation

On behalf of Focal Communications, Inc.

Before the Florida Public Service Commission

Docket No. 990691-TP

Petition by ICG Telecom Group, Inc. for Arbitration of an Interconnection Agreement with BellSouth

Telecommunications, Inc. Pursuant to Section 252(b) of the Telecommunications Act of 1996

On behalf of ICG Telecom Group, Inc.

Before the Louisiana Public Service Commission

Docket No. U-24206

Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc.

Pursuant to the Telecommunications Act of 1996

On behalf of ITC^DeltaCom, Inc.

Before the South Carolina Public Service Commission

Docket No. 199-259-C

Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc.

Pursuant to the Telecommunications Act of 1996

On behalf of ITC^DeltaCom, Inc.

Before the Alabama Public Service Commission

Docket No. 27069

Petition by ICG Telecom Group, Inc. for Arbitration of an Interconnection Agreement with BellSouth

Telecommunications, Inc. Pursuant to Section 252(b) of the Telecommunications Act of 1996

On behalf of ICG Telecom Group, Inc.

Before the State of North Carolina Utilities Commission

Docket No. P-582, Sub 6

Petition by ICG Telecom Group, Inc. for Arbitration of Interconnection Agreement with BellSouth

Telecommunications, Inc. Pursuant to Section 252(b) of the Telecommunications Act of 1996

On behalf of ICG Telecom Group, Inc.

Before the Missouri Public Service Commission

Case No. TO-99-370

Petition of BroadSpan Communications, Inc. for Arbitration of Unresolved Interconnection Issues Regarding ADSL with Southwestern Bell Telephone Company

On behalf of BroadSpan Communications, Inc.

Before the Michigan Public Service Commission

Case No. U-11831

In the Matter of the Commission's own motion, to consider the total service long run incremental costs for all access, toll, and local exchange services provided by Ameritech Michigan.

On behalf of MCIWorldCom, Inc.

Before the Illinois Commerce Commission

Docket Nos. 98-0770, 98-0771 cons.

Proposed Modifications to Terms and Conditions Governing the Provision of Special Construction

Arrangements and, Investigation into Tariff Governing the Provision of Special Construction Arrangements

On behalf of AT&T Communications of Illinois, Inc.

Before the Michigan Public Service Commission

Case No. U-11735

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PROFESSIONAL INFORMATION

In the matter of the complaint of BRE Communications, L.L.C., d/b/a PHONE MICHIGAN, against Michigan Bell Telephone Company, d/b/a AMERITECH MICHIGAN, for violations of the Michigan Telecommunications Act

On behalf of BRE Communications, L.L.C.

Before the Indiana Utility Regulatory Commission

Cause No. 40830

In the Matter of the request of the Indiana Payphone Association for the Commission to Conduct an Investigation of Local Exchange Company Pay Telephone tariffs for Compliance with Federal Regulations, and to Hold Such Tariffs in Abeyance Pending Completion of Such Proceeding

On behalf of the Indiana Payphone Association

Before the Michigan Public Service Commission

Case No. U-11756

Complaint Pursuant to Sections 203 and 318 of the Michigan Telecommunications Act to Compel Respondents to Comply with Section 276 of the Federal Telecommunications Act

On behalf of the Michigan Pay Telephone Association

Before the Missouri Public Service Commission

Case No. TO-98-278

In the Matter of the Petition of Birch Telecom of Missouri, Inc., for Arbitration of the Rates, Terms, Conditions, and Related Arrangements for Interconnection with Southwestern Bell Telephone Company

On behalf of Birch Telecom of Missouri, Inc.

Before the Public Service Commission of the Commonwealth of Kentucky

Administrative Case No. 361

Deregulation of Local Exchange Companies' Payphone Services

On behalf of the Kentucky Payphone Association

Before the Public Utilities Commission of Ohio

Case No. 96-899-TP-ALT

The Application of Cincinnati Bell Telephone Company for Approval of a Retail Pricing Plan Which May Result in Future Rate Increases

On behalf of the MCI Telecommunications Corporation

Before the Public Utilities Commission of the State of Hawaii

Docket No. 7702

Instituting a Proceeding on Communications, Including an Investigation of the Communications Infrastructure of the State of Hawaii

On behalf of GST Telecom Hawaii, Inc.

Before the Michigan Public Service Commission

Case No. U-11410

In the Matter of the Petition of the Michigan Pay Telephone Association to initiate an investigation to determine whether Michigan Bell Telephone Company d/b/a Ameritech Michigan and GTE North Incorporated are in compliance with the Michigan Telecommunications Act and Section 276 of The Communications Act of 1934, as amended

On behalf of the Michigan Pay Telephone Association

Before the Indiana Utility Regulatory Commission

Cause No. 40849

In the matter of Petition of Indiana Bell Telephone Company, Incorporated d/b/a Ameritech Indiana for the Commission to Decline to Exercise in Whole or in Part its Jurisdiction Over, and to Utilize Alternative Regulatory Procedures For, Ameritech Indiana's Provision of Retail and Carrier Access Services Pursuant to I.C. 8-1-2.6 Et Seq.

On behalf of AT&T Communications of Indiana, Inc.

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Before the Federal Communication Commission

C.C. Docket No. 97-137

In the Matter of Application by Ameritech Michigan for Authorization under Section 271 of the Communications Act to Provide In-Region, InterLATA Service in the State of Michigan.

On behalf of the AT&T Corporation

Before the Indiana Utility Regulatory Commission

Cause No. 40611

In the Matter of the Commission Investigation and Generic Proceeding on Ameritech Indiana's Rates for Interconnection, Service, Unbundled Elements and Transport and Termination under the Telecommunications Act of 1996 and Related Indiana Statutes

On behalf of the MCI Telecommunications Corporation

Before the Public Utility Commission of Ohio

Case No. 97-152-TP-ARB

In the matter of the petition of MCI Telecommunications Corporation for arbitration pursuant to section 252(b) of the Telecommunications Act of 1996 to establish an interconnection agreement with Cincinnati Bell Telephone Company

On behalf of the MCI Telecommunications Corporation

Before the Michigan Public Service Commission

Case No. U-11280

In the matter, on the Commission's own motion to consider the total service long run incremental costs and to determine the prices of unbundled network elements, interconnection services, and basic local exchange services for AMERITECH MICHIGAN

On behalf of the MCI Telecommunications Corporation

Before the Illinois Commerce Commission

Docket No. 96-0486

Investigation into forward looking cost studies and rates of Ameritech Illinois for interconnection, network elements, transport and termination of traffic

On behalf of the MCI Telecommunications Corporation

Before the Public Utility Commission of Ohio

Case No. 96-922-TP-UNC

In the Matter of the Review of Ameritech Ohio's Economic Costs for Interconnection, Unbundled Network Elements, and Reciprocal Compensation for Transport and Termination of Local Telecommunications Traffic

On behalf of the MCI Telecommunications Corporation

Before the New Jersey Board of Public Utilities

Docket No. TX95120631

In the Matter of the Investigation Regarding Local Exchange Competition for Telecommunications Services

On behalf of the MCI Telecommunications Corporation

Before the Michigan Public Service Commission

Case No. U-11104

In the matter, on the Commission's Own Motion, to Consider Ameritech Michigan's Compliance With the Competitive Checklist in Section 271 of the Telecommunications Act of 1996

On behalf of AT&T Communications of Indiana, Inc.

Before the Public Utility Commission of Ohio

Case Nos. 96-702-TP-COI, 96-922-TP-UNC, 96-973-TP-ATA, 96-974-TP-ATA, Case No. 96-1057-TP-UNC

In the Matter of the Investigation Into Ameritech Ohio's Entry Into In-Region InterLATA Services Under Section 271 of the Telecommunications Act of 1996.

On behalf of AT&T Communications of Ohio, Inc.

Before the Illinois Commerce Commission

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Docket No. 96-0404

Investigation Concerning Illinois Bell Telephone Company's Compliance With Section 271(c) of the Telecommunications Act of 1996

On behalf of AT&T Communications of Illinois, Inc.

Before the Commonwealth of Massachusetts Department of Public Utilities

In the Matter of: D.P.U. 96-73/74, D.P.U. 96-75, D.P.U. 96-80/81, D.P.U. 96-83, D.P.U. 96-94, NYNEX - Arbitrations

On behalf of the MCI Telecommunications Corporation

Before the Pennsylvania Public Utility Commission

Docket No. A-31023670002

In the Matter of the Application of MCI Metro Access Transmission Services, Inc. For a Certificate of Public Convenience and Necessity to Provide and Resell Local Exchange Telecommunications Services in Pennsylvania

On behalf of MCI Metro Access and Transmission Services, Inc.

Before the New Jersey Board of Public Utilities

Docket No. TO96080621

In the Matter of MCI Telecommunications Corporation for Arbitration with Bell Atlantic-New Jersey, Inc. Pursuant to Section 252 of the Telecommunications Act of 1996

On behalf of the MCI Telecommunications Corporation

Before the Indiana Utility Regulatory Commission

Cause No. 40571-INT-01

Petition for Arbitration of Interconnection Rates, Terms and Conditions, and Related Arrangements with Wisconsin Bell Telephone Company d/b/a Ameritech Wisconsin

On behalf of AT&T Communications of Wisconsin, Inc.

Before the Public Utility Commission of Ohio

Case No. 96-752-TP-ARB

Petition for Arbitration of Interconnection Rates, Terms and Conditions, and Related Arrangements with Ohio Bell Telephone Company d/b/a Ameritech Ohio

On behalf of AT&T Communications of Ohio, Inc.

Before the Illinois Commerce Commission

Docket No. 96-AB-003

Docket No. 96-AB-004 *Consol.*

Petition for Arbitration of Interconnection Rates, Terms and Conditions, and Related Arrangements with Illinois Bell Telephone Company d/b/a Ameritech Illinois

On behalf of AT&T Communications of Illinois, Inc.

Before the Michigan Public Service Commission

Case No. U-11151

Petition for Arbitration of Interconnection Rates, Terms and Conditions, and Related Arrangements with Michigan Bell Telephone Company d/b/a Ameritech Michigan

On behalf of AT&T Communications of Michigan, Inc.

Before the Indiana Utility Regulatory Commission

Cause No. 40571-INT-01

In the Matter of the Petition of AT&T Communications of Indiana, Inc. Requesting Arbitration of Certain Terms and Conditions and Prices for Interconnection and Related Arrangements from Indiana Bell Telephone Company, Incorporated d/b/a Ameritech Indiana Pursuant to Section 252 (b) of the Communications Act of 1934, as Amended by the Telecommunications Act of 1996.

On behalf of AT&T Communications of Indiana, Inc.

Before the Missouri Public Service Commission

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Case No. TT-96-268

Application of Southwestern Bell Telephone Company, Inc. to Revise P.S.C. Mo.-No. 26, Long Distance Message Telecommunications Service Tariff to Introduce the Designated Number Optional Calling Plan
On behalf of the MCI Telecommunications Corporation

Before the Corporation Commission of the State of Oklahoma

Cause No. PUD 950000411

Application of Southwestern Bell Telephone Company for an Order Approving Proposed Revisions in Applicant's Long Distance Message Telecommunications Service Tariff
Southwestern Bell Telephone Company's Introduction of 1+ Saver DirectSM
On behalf of the MCI Telecommunications Corporation

Before the Georgia Public Service Commission

Docket No. 6415-U and 6537-U cons.

Petition of MCImetro to Establish Nondiscriminatory Rates, Terms and Conditions for the Unbundling and Resale of Local Loops
On behalf of MCImetro Access Transmission Services

Before the Public Service Commission of the State of Mississippi

Docket No. 95-UA-358

Regarding a Docket to Consider Competition in the Provision of Local Telephone Service
On behalf of the Mississippi Cable Television Association

Before the Maryland Public Service Commission

Docket No. 8705

In the Matter of the Inquiry Into the Merits of Alternative Plans for New Telephone Area Codes in Maryland
On behalf of the Staff of the Maryland Public Service Commission

Before the Maryland Public Service Commission

Docket No. 8584, Phase II

In the Matter of the Application of MFS Intelenet of Maryland, Inc. for Authority to Provide and Resell Local Exchange and Inter-Exchange Telephone Service; and Requesting the Establishment of Policies and Requirements for the Interconnection of Competing Local Exchange Networks

In the Matter of the Investigation of the Commission on its Own Motion Into Policies Regarding Competitive Local Exchange Telephone Service

On behalf of the Staff of the Maryland Public Service Commission

Before the Illinois Commerce Commission

Docket No. 94-0400

Application of MCImetro Access and Transmission Services, Inc. For a Certificate of Exchange Service Authority Allowing it to Provide Facilities-Based Local Service in the Chicago LATA
On behalf of the Office of Policy and Planning, Illinois Commerce Commission

Before the Illinois Commerce Commission

Docket No. 94-0315

Petition of Ameritech-Illinois for 708 NPA Relief by Establishing 630 Area Code
On behalf of the Office of Policy and Planning, Illinois Commerce Commission

Before the Illinois Commerce Commission

Docket No. 94-0422

Complaints of MFS, TC Systems, and MCI against Ameritech-Illinois Regarding Failure to Interconnect
On behalf of the Office of Policy and Planning, Illinois Commerce Commission

Before the Illinois Commerce Commission

Docket Nos. 94-0096, 94-0117, and 94-301

Proposed Introduction of a Trial of Ameritech's Customers First Plan in Illinois, et al.

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On behalf of the Office of Policy and Planning, Illinois Commerce Commission

Before the Illinois Commerce Commission

Docket No. 94-0049

Rulemaking on Line-Side and Reciprocal Interconnection

On behalf of the Office of Policy and Planning, Illinois Commerce Commission

Before the Illinois Commerce Commission

Docket No. 93-0409

MFS-Intelenet of Illinois, Inc. Application for an Amendment to its Certificate of Service Authority to Permit it to Operate as a Competitive Local Exchange Carrier of Business Services in Those Portions of MSA-1 Served by Illinois Bell Telephone and Central Telephone Company of Illinois

On behalf of the Office of Policy and Planning, Illinois Commerce Commission

Before the Illinois Commerce Commission

Docket No. 94-0042, 94-0043, 94-0045, and 94-0046

Illinois Commerce Commission on its own motion. Investigation Regarding the Access Transport Rate Elements for Illinois Consolidated Telephone Company (ICTC), Ameritech-Illinois, GTE North, GTE South, and Central Telephone Company (Centel)

On behalf of the Office of Policy and Planning, Illinois Commerce Commission

Before the Illinois Commerce Commission

Docket No. 93-0301 and 94-0041

GTE North Incorporated. Proposed Filing to Restructure and Consolidate the Local Exchange, Toll, and Access Tariffs with the Former Centel of Illinois, Inc.

On behalf of the Office of Policy and Planning, Illinois Commerce Commission

Before the Public Service Commission of the State of Missouri

Case No. TC-93-224 and TO-93-192

In the Matter of Proposals to Establish an Alternate Regulation Plan for Southwestern Bell Telephone Company

On behalf of the Telecommunications Department, Missouri Public Service Commission

Before the Public Service Commission of the State of Missouri

Case No. TO-93-116

In the Matter of Southwestern Bell Telephone Company's Application for Classification of Certain Services as Transitionally Competitive

On behalf of the Telecommunications Department, Missouri Public Service Commission

Selected Reports, Publications and Presentations

Litigating Telecommunications Cost Cases

TELRIC Principles and Other Sources of Enlightenment

Two Day Teaching Seminar for Commissions and their Staffs (Western States)

Denver, Colorado, February 5&6, 2002

Interconnect Pricing

Critique of FCC Working Paper Nos. 33 & 34

NARUC Winter Meeting 2001

Washington, D.C., February 25, 2001

Telecommunications Costing and Pricing

Interconnection and Inter-Carrier Compensation

Advanced Regulatory Studies Program

MICHAEL STARKEY
PROFESSIONAL INFORMATION

Michigan State University
Cincinnati, Ohio, October 13, 2000

Telecommunications Pricing in Tomorrow's Competitive Local Market
Professional Pricing Societies 9th Annual Fall Conference
Pricing From A to Z
Chicago, Illinois, October 30, 1998

Recombining Unbundled Network Elements: An Alternative to Resale
ICM Conferences' Strategic Pricing Forum
January 27, 1998, New Orleans, Louisiana

MERGERS – Implications of Telecommunications Mergers for Local Subscribers
National Association of State Utility Consumer Advocates Mid-Year Meeting,
Chicago, Illinois, June 24 1996

Unbundling, Costing and Pricing Network Elements in a Co-Carrier World
Telecommunications Reports' Rethinking Access Charges & Inter-carrier Compensation
Washington, D.C., April 17, 1996

Key Local Competition Issues Part I (novice)
Key Local Competition Issues Part II (advanced)
with Mark Long
National Cable Television Associations' 1995 State Telecommunications Conference
Washington, D.C., November 2, 1995

Competition in the Local Loop
New York State Telephone Association and Telephone Association of New England Issues
Forum
Springfield, Massachusetts, October 18, 1995

Compensation in a Competitive Local Exchange
National Association of Regulatory Utility Commissioner Subcommittee on Communications'
Summer Meetings
San Francisco, California, July 21, 1995

Fundamentals of Local Competition and Potential Dangers for Interexchange Carriers
COMPTEL 1995 Summer Business Conference
Seattle, Washington, June 12, 1995

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
Filing to increase Unbundled Loop and)	Docket No. 02-0864
Nonrecurring Rates (Tariffs filed December)	
24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 2

**Curriculum Vitae of Warren Fischer,
C.P.A**

Warren R. Fischer, C.P.A.

Contact Information

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Denver, Colorado 80209

Phone: (303) 722-2684

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E-mail: wfischer@qsiconsulting.com

Current Position

Senior Consultant, Quantitative Solutions, Inc.

2000 to Present

Professional Experience

AT&T – Network Services Division

Financial Manager – Denver, Colorado

1997 - 2000

Supervisor – Denver, Colorado

1996 - 1997

AT&T Wireless Services – Cellular Division

Marketing Analyst / Planner – Denver, Colorado

1995 - 1996

E. & J. Gallo Winery

Senior Financial Analyst – Modesto, California

1994 - 1995

Operations Accountant – Modesto, California

1991 - 1994

Century 21 Real Estate Corporation

Financial Analyst – Irvine, California

1987 - 1991

Deloitte & Touche

Audit-in-Charge – Costa Mesa, California

1985 - 1987

Education

B.S. Business Administration, University of Colorado. Accountancy courses to meet C.P.A. continuing education requirements. Courses on costing and pricing of telecommunications services, jurisdictional separations, access and universal service reform, and network architecture.

Certification

A.I.C.P.A.; C.P.A. licenses in California and Colorado.

Testimony Profile and Experience

Before the Michigan Public Service Commission

Case No. U-11756

(DIRECT – FEBRUARY 10, 2003)

IN THE MATTER OF THE COMPLAINT OF MICHIGAN PAY TELEPHONE ASSOCIATION ET AL. AGAINST AMERITECH MICHIGAN AND VERIZON NORTH INC., F/K/A GTE NORTH INCORPORATED.

On behalf of Michigan Pay Telephone Association and the other payphone service provider Complainants

Calculated refunds owed to Complainants by Ameritech Michigan and Verizon North, Inc. for payphone charges exceeding the FCC's New Services Test.

Warren R. Fischer, C.P.A.

Before the Public Service Commission of Florida

Docket No. 990649B-TP

(REBUTTAL – JANUARY 30, 2002)

IN RE: INVESTIGATION INTO PRICING OF UNBUNDLED NETWORK ELEMENTS

On Behalf AT&T Communications of the Southern States, Inc., MCI metro Access Transmission Services, LLC & MCI WorldCom Communications, Inc. and Florida Digital Network, Inc. (collectively called the “ALEC Coalition”)

Provided a critique of the geographic deaveraging, annual cost factors and common cost factors proposed by Verizon Florida, Inc. Also critiqued the geographic deaveraging proposal and the Sprint Loop Cost Model filed by Sprint - Florida, Inc.

Before the Public Service Commission of Maryland

Case No. 8879

(REBUTTAL – SEPTEMBER 5, 2001; SURREBUTTAL – OCTOBER 15, 2001)

IN THE MATTER OF THE INVESTIGATION INTO RATES FOR UNBUNDLED NETWORK ELEMENTS PURSUANT TO THE TELECOMMUNICATIONS ACT OF 1996

On Behalf of the Staff of the Public Service Commission of Maryland

Provided a critique of the annual cost factors proposed by Verizon Maryland, Inc. and reran Verizon’s cost studies with Staff’s recommended input changes.

Before the Massachusetts Department of Telecommunications and Energy

Docket DTE 01-20

(REBUTTAL – JULY 17, 2001)

INVESTIGATION BY THE DEPARTMENT ON ITS OWN MOTION INTO THE APPROPRIATE PRICING, BASED UPON TOTAL ELEMENT LONG-RUN INCREMENTAL COSTS, FOR UNBUNDLED NETWORK ELEMENTS AND COMBINATIONS OF UNBUNDLED NETWORK ELEMENTS, AND THE APPROPRIATE AVOIDED COST DISCOUNT FOR VERIZON NEW ENGLAND INC., D/B/A VERIZON MASSACHUSETTS’ RESALE SERVICES.

On Behalf of the CLEC Coalition.

Provided a critique of the annual cost factors proposed by Verizon Massachusetts.

Before the Federal Communications Commission

File Nos. EB-01-MD-001 and EB-01-MD-002

AFFIDAVIT – FEBRUARY 23, 2001

IN THE MATTER OF THE FORMAL COMPLAINTS OF AT&T CORP. AND SPRINT COMMUNICATIONS COMPANY L.P., VS. BUSINESS TELECOM, INC.

On behalf of Business Telecom, Inc.

Provided information supporting the premise that the unit costs incurred by a CLEC such as BTI are higher than those of a Tier 1 incumbent local exchange carrier (“ILEC”).

Before The North Carolina Utilities Commission

Docket No. P-100, Sub 133d, Phase I

(DIRECT TESTIMONY – AUGUST 11, 2000)

IN THE MATTER OF GENERAL PROCEEDING TO DETERMINE PERMANENT PRICING FOR UNBUNDLED NETWORK ELEMENTS

On Behalf of New Entrants

Reviewed Sprint UNE deaveraging proposal and commented on advanced services issues.

Warren R. Fischer, C.P.A.

Before the Public Utilities Commission of the State of Colorado

Docket No. 99A-161T

(DIRECT-AUGUST 6, 1999)

IN THE MATTER OF THE APPLICATION OF U S WEST COMMUNICATIONS, INC. TO REDUCE BUSINESS BASIC EXCHANGE AND LONG DISTANCE REVENUES UPON RECEIPT OF THE COLORADO HIGH COST SUPPORT MECHANISM IN ACCORDANCE WITH DECISION NO. C 99-222.

On behalf of AT&T Communications of the Mountain States, Inc.

U S WEST filing to reduce intraLATA toll and business exchange rates in the amount of Colorado High Cost Support Mechanism funds received. Toll rate design failed to comply with appropriate imputed price floors. Testimony was filed, but case was settled prior to hearing.

Before the Public Utilities Commission of the State of Colorado

Docket No. 98A-068T

(AMENDED DIRECT - MAY 25, 1999; SUPPLEMENTAL - JUNE 9, 1999)

IN THE MATTER OF THE APPLICATION OF U S WEST COMMUNICATIONS, INC. TO RESTRUCTURE AND REDUCE SWITCHED ACCESS RATES PURSUANT TO THE STIPULATION IN DOCKET NO. 97A-540T.

On behalf of AT&T Communications of the Mountain States, Inc.

U S WEST filing to reduce switched access rates as part of a Local Transport Restructure filing and in return for Colorado High Cost Support Mechanism funds. Argued that access reductions did not fully comply with settlement agreement and that access rates were significantly in excess of any measure of forward-looking cost and UNE rates.

Before the Nebraska Public Service Commission

Application No. C-1628

(DIRECT - OCTOBER 20, 1998)

IN THE MATTER OF THE NEBRASKA PUBLIC SERVICE COMMISSION, ON ITS OWN MOTION, SEEKING TO CONDUCT AN INVESTIGATION INTO INTRASTATE ACCESS CHARGE REFORM AND INTRASTATE UNIVERSAL SERVICE FUND.

On behalf of AT&T Communications of the Midwest, Inc.

This was a Commission-initiated investigation on intrastate access reform. I testified on the need to reduce access rates to forward-looking economic cost and not create a state universal service fund based on ILEC revenue neutrality.

Before the New Mexico State Corporation Commission

Docket No. 96-310-TC and Docket No. 97-334-TC

(DIRECT - JULY 8, 1998; REBUTTAL - AUGUST 5, 1998)

IN THE MATTER OF THE CONSIDERATION OF THE ADOPTION OF A RULE CONCERNING COSTING METHODOLOGIES.

IN THE MATTER OF THE IMPLEMENTATION OF NEW RULES RELATED TO THE RURAL, HIGH COST, AND LOW INCOME COMPONENTS OF THE NEW MEXICO UNIVERSAL SERVICE FUND.

On behalf of AT&T Communications of the Mountain States, Inc.

Phase II of an interconnection cost case on recurring and non-recurring prices and cost for UNEs for U S WEST and GTE.

Before the Wyoming Public Service Commission

Docket No. 70000-TR-98-420

(DIRECT - SEPTEMBER 9, 1998)

IN THE MATTER OF THE APPLICATION OF U S WEST COMMUNICATIONS, INC. FOR AUTHORITY TO IMPLEMENT PRICE CEILING IN CONJUNCTION WITH ITS PROPOSED WYOMING PRICE REGULATION PLAN FOR ESSENTIAL AND NONCOMPETITIVE TELECOMMUNICATION SERVICES.

On behalf of AT&T Communications of the Mountain States, Inc.

Warren R. Fischer, C.P.A.

U S WEST's Price Plan filing. Argued against pricing flexibility for switched access, pointed out faulty assumptions in U S WEST's cost study, and stressed the need for compliance with imputation standards.

Before the Wyoming Public Service Commission

Docket No. 70000-TA-98-442

(DIRECT – JANUARY 6, 1999)

IN THE MATTER OF THE SECOND APPLICATION OF U S WEST COMMUNICATIONS, INC. FOR A FINDING THAT ITS INTEREXCHANGE TELECOMMUNICATIONS SERVICES ARE SUBJECT TO COMPETITION.

On behalf of AT&T Communications of the Mountain States, Inc.

Argued against toll deregulation for U S WEST.

Before the Public Service Commission of the State of North Dakota

Docket No. PU-314-97-465

(REBUTTAL – FEBRUARY 27, 1998)

IN THE MATTER OF U S WEST COMMUNICATIONS, INC. UNIVERSAL SERVICE COSTS INVESTIGATION.

On behalf of AT&T Communications of the Midwest, Inc.

Addressed policy issues related to selection of a cost proxy model to determine size of a state USF and reiterated why commission should adopt HAI model.

Before the Wyoming Public Service Commission

General Order No. 81

(DIRECT – 11/21/1997; AMENDED DIRECT – 1/23 1998; REBUTTAL – 2/6/1998)

On behalf of AT&T Communications of the Mountain States, Inc.

Addressed policy issues related to selection of a cost proxy model to determine size of a state USF and reiterated why commission should adopt HAI model.

Before the Wyoming Public Service Commission

Docket No. 70007-TR-95-15

(ADOPTED AND REVISED NATALIE BAKER'S DIRECT – OCTOBER 1996)

On behalf of AT&T Communications of the Mountain States, Inc.

Rebutted rate base and revenue requirement calculations proposed by Dubois Telephone.

Before the Nebraska Public Service Commission

Docket No. C-1519

(DIRECT – JANUARY 20, 1998)

IN THE MATTER OF THE EMERGENCY PETITION OF MCI TELECOMMUNICATIONS CORPORATION AND AT&T COMMUNICATIONS OF THE MIDWEST, INC. TO INVESTIGATE COMPLIANCE OF NEBRASKA LECS WITH FCC PAYPHONE ORDERS.

On behalf of AT&T Communications of the Midwest, Inc.

Advocated removal of switched access subsidies from payphone services.

Before the Wyoming Public Service Commission

Docket No. 72000-TC-97-99

(DIRECT – MAY 15, 1997)

On behalf of AT&T Communications of the Mountain States, Inc.

Advocated removal of switched access subsidies from payphone services.

Warren R. Fischer, C.P.A.

Before the Public Service Commission of the State of Montana

Docket No. D96.12.220

(DIRECT – OCTOBER 28, 1997)

On behalf of AT&T Communications of the Mountain States, Inc.

U S WEST rate rebalancing case. Advocated removal of switched access subsidies from payphone services. AT&T withdrew from the case after testimony was filed due to discovery dispute.

Before the New Mexico State Corporation Commission

Docket No. 97-69-TC

(DIRECT – MARCH 1997)

On behalf of AT&T Communications of the Mountain States, Inc.

Advocated removal of switched access subsidies supporting payphone services.

Before the Public Service Commission of the State of Montana

Docket No. D97.5.87

(DIRECT & REBUTTAL – 6/16/1998; SUPPLEMENTAL REBUTTAL – 11/6/1998)

On behalf of AT&T Communications of the Mountain States, Inc.

U S WEST application for Section 271 relief in Montana. I filed testimony on U S WEST's failure to comply with Section 272 separate affiliate requirements. U S WEST pulled its application due to discovery limitations.

Before the Nebraska Public Service Commission

Application No. C-1830

(DIRECT & REBUTTAL – AUGUST 7, 1998)

On behalf of AT&T Communications of the Midwest, Inc.

U S WEST application for Section 271 relief in Nebraska. I filed testimony on U S WEST's failure to comply with Section 272 separate affiliate requirements. Intervenors withdrew testimony due to ALJ order on discovery compelling release of marketing plans.

Before the New Mexico State Corporation Commission

Docket No. 97-106-TC

(DIRECT & REBUTTAL – JULY 27, 1998; REPLY – SEPTEMBER 8, 1998)

On behalf of AT&T Communications of the Mountain States, Inc.

U S WEST application for Section 271 relief in New Mexico. I filed testimony on U S WEST's failure to comply with Section 272 separate affiliate requirements. U S WEST withdrew application due to discovery restrictions.

Before the Wyoming Public Service Commission

Docket No. 72000-TI-97-107 and Docket No. 70000 TI-97-352 (N/A – CONTACT AT&T LAW & GOV'T. AFFAIRS)

On behalf of AT&T Communications of the Mountain States, Inc.

U S WEST application for Section 271 relief in Wyoming. I filed testimony on U S WEST's failure to comply with Section 272 separate affiliate requirements. U S WEST withdrew its application.

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
Filing to increase Unbundled Loop and)	Docket No. 02-0864
Nonrecurring Rates (Tariffs filed December)	
24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 3

Analysis of SBC's 67XX Accounts

**This Attachment includes CONFIDENTIAL DATA and is available
only to those parties having signed the appropriate non-disclosure
agreement**

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
Filing to increase Unbundled Loop and)	Docket No. 02-0864
Nonrecurring Rates (Tariffs filed December)	
24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 4

**Adjusted Pension Settlement Gain
Credits**

**This Attachment includes CONFIDENTIAL DATA and is available
only to those parties having signed the appropriate non-disclosure
agreement**

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
Filing to increase Unbundled Loop and)	Docket No. 02-0864
Nonrecurring Rates (Tariffs filed December)	
24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 5

**Modified Shared & Common Cost
Analysis**

**This Attachment includes CONFIDENTIAL DATA and is available
only to those parties having signed the appropriate non-disclosure
agreement**

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
Filing to increase Unbundled Loop and)	Docket No. 02-0864
Nonrecurring Rates (Tariffs filed December)	
24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 5A

**QSI Common and Shared Cost
Recalculation: Step-by-Step Description**

**This Attachment includes CONFIDENTIAL DATA and is available
only to those parties having signed the appropriate non-disclosure
agreement**

QSI COMMON AND SHARED COST RECALCULATION Step-by-Step Description

Because of the complexities required in ensuring that all revisions are incorporated sensibly, the order in which each revision is made has been critically reviewed. Hence, each revision may be described in this document in a different order than which it was described in the testimony. Activities below are listed in the order in which they were incorporated into the recalculated analysis.

II. SHARED AND COMMON COSTS

A. Common Costs (Critique of SBC's Analysis)

i. Mismatch of Embedded and Forward Looking Data

REVISION REQUIRED

QSI replaced SBC's "forward looking direct cost" denominator with a denominator based on embedded direct cost brought to current cost.

RECALCULATION SPECIFICS

ADJUSTMENT 1

In **Adjustment 1** (column G) of the QSI Recommended Adjustment section within SBC's Shared and Common cost study, Attachment 5 (*IL_ SC_ 2001_12-13-02 (QSI).xls*), *Tab 1 – Results*, QSI used SBC's methodology of calculating its direct cost denominator and made a fundamental adjustment. QSI made a copy of worksheet *Tab 3 - Calculations (SBC)* and called it *Tab 3 (SBC) No Fwrld Lkng Adj* to make our adjustment to SBC's common cost denominator. QSI removed SBC's adjustments in column I, *Forward Looking Adjustmt*, for all plant investment and operating expense Accounts except for SBC's adjustments to remove book depreciation expense.

QSI retained SBC's adjustment to remove book depreciation because capital cost factors produced by CAPCS include a depreciation component. The resulting direct costs in column M on *Tab 3 (SBC) No Fwrld Lkng Adj* were then pulled into *Tab 1 – Results*, cells G37 and G38.

Adjustment 1 also contains modified values for Ad Valorem tax expense included in both the numerator (common costs) and the denominator (direct costs). This modification is a byproduct of using book plant investment brought to current value rather than SBC's adjusted investment. The Ad Valorem tax calculations on *Tab 2 – Inputs*, cells I164 through I175 rely upon Total Plant In Service ("TPIS") values from *Tab 3 - Calculations (SBC)*. QSI's adjusted TPIS flows through a parallel calculation in cells J164 through J175. Because QSI's TPIS value is greater than SBC's, it results in an increased amount of Ad Valorem tax expense in the common cost calculation. QSI's adjusted Ad Valorem tax expense is contained in cells G29 and G40 on *Tab 1 – Results*.

Removing SBC's "forward-looking" adjustments results in a denominator (direct cost on row 43 of *Tab 1 – Results*) that is 48.7% larger than SBC's which causes the common cost factor to decline by 33%.

ADJUSTMENT 2

Adjustment 2 (column H) takes the changes made in **Adjustment 1** a step further. It applies Ms. Terry Murray's and Mr. Mike Majoros' recommended capital cost factors to investment in *Tab 3 - Calculations (QSI)*, column K. Ms. Murray's and Mr. Majoros' recommended capital cost factors are smaller than SBC's proposed factors due to a lower cost of capital and longer depreciation lives. The application of smaller capital cost factors produces a smaller amount of direct costs for the denominator. Since the denominator declines, the common cost factor increases. The net increase in the denominator is only 17% greater than SBC's denominator after applying adjusted capital cost factors. Therefore, using Ms. Murray's and Mr. Majoros' recommended capital cost factors mitigate the impact of removing SBC's "forward-looking" adjustments.

One additional adjustment is made in **Adjustment 2**. SBC applies current cost-to-book cost ("CC/BC") ratios to bring booked investment to current cost before applying capital cost factors to adjusted investment. SBC omitted one investment Account from its direct cost calculation, Account 2114 (*Special Purpose Vehicles*). This omission was caused by the absence of a CC/BC ratio for this investment Account. Since there was no CC/BC ratio, the formula in the Current Cost column of *Tab 3 - Calculations (SBC)*, cell H20 produced a zero value. We reviewed SBC's CC/BC ratio workbook, *Illinois 2001 CC_BC.xls* and discovered that there is no CC/BC ratio for this Account. Consequently, SBC should have assumed a value of 1.0000 and used book cost rather than zero. QSI made this adjustment in cell G20 of *Tab 3 - Calculations (QSI)*.

iv. Includes TBO / Excludes Pension Settlement Gains

REVISION REQUIRED

QSI removed TBO expenses attributable to common costs and adjusted Account 6728 (*Other General and Administrative*) to recognize a normalized portion of the credits recorded by SBC for pension settlement gains based on a review of historical data.

RECALCULATION SPECIFICS

In **Adjustment 3** (column I), QSI removed the **\$ ** line item “Transitional Benefit Obligation” from SBC’s analysis. This adjustment was done in cell I30.

Likewise, QSI returned SBC’s Account balance for Account 6728 (*Other General and Administrative*) to its original 2001 book value. Then, instead of removing the entirety of the **\$ ** pension settlement credit as SBC had done, QSI removed an amount equal to **\$ **, thereby reapportioning to Account 6728 a normalized pension settlement credit equal to **\$ **. This adjustment was made by starting with the 2001 book amount for Account 6728 from worksheet *ARMIS 43-03* and adding back **\$ ** of expense removed by the recording of pension settlement gains in 2001. The net adjusted value is contained in cell I26; the original book amount for Account 6728 is on worksheet *ARMIS 43-03*, cell F845; and the pension settlement credit removed from Account 6728 is in cell I11.

v. Fails to Account for Merger Related Savings

REVISION REQUIRED

After having restated SBC’s common costs and total revenues to 2003 figures as described above, QSI removed a total of **\$ ** from the common cost numerator to Account for 30% of the merger related savings SBC has projected to enjoy in 2003.

RECALCULATION SPECIFICS

In **Adjustment 4** (column J), QSI added line 14A (Excel row 31) to reflect its proposed Merger Savings Adjustment. Cell J31 contains QSI’s proposed Merger Savings Adjustment of **\$ **. This adjustment is derived by multiplying 30% by the difference between the merger-related savings it actually enjoyed in 2001

(**\$ **), and the average yearly merger-related savings it expects to enjoy between 2002-2004 (**\$ **), a difference equal to **\$ **. This adjustment is subtracted from total common costs before the impact of inflation is factored in.

ii. Failure to Diligently Allocate Direct and Shared Costs

REVISION REQUIRED

QSI reduced SBC's common cost expenses (balances in Accounts 67XX) by ** %**, an amount equal to the Commission's approved avoided wholesale discount, to remove costs attributable to its retail organization.

RECALCULATION SPECIFICS

Adjustment 5 (column K), contains the Commission's approved avoided wholesale cost discount factor of ** %** in cell K12. This factor is used to reduce the adjusted 67XX balances in **Adjustment 4**, (column J). The algorithm is: (67XX balance in column J) X (1 – the Avoided Wholesale Cost Discount Factor). This adjustment is made in cells K17 through K26.

iii. Failure to Isolate Regulated Versus Non-Regulated Data

REVISION REQUIRED

QSI removed non-regulated expenses and revenue from SBC's common cost analysis to reflect the impact of using amounts from SBC's regulated operations only.

RECALCULATION SPECIFICS

Adjustment 8 (column N), reflects the removal of non-regulated expenses and investment from the common cost factor calculation. A percentage reflecting the regulated portion of each individual expense and investment Account was derived from SBC's ARMIS 43-03 report filed with the FCC. The ARMIS 43-03 report breaks out book investment and expense into three primary categories: (1) Total, (2) Total Regulated and (3) Total Non-Regulated. 2001 information for all Accounts is contained worksheet *ARMIS 43-03*, rows 685 through 854.

QSI calculated a percentage representing the regulated portion of each individual Account balance in column J of worksheet *ARMIS 43-03*. The regulated percentages for the Accounts used in the common cost analysis were then pulled into equations

calculating regulated-only costs via formula reference on worksheet *Tab 1 – Results*. The regulated percentages are applied to the adjusted balances in column M. The algorithm to make this adjustment is: (Expense and Investment values in column M) X (Regulated % from *ARMIS 43-03*). The specific cells where this adjustment is made are N17 through N26 (67XX Accounts), N31 (QSI's Merger Savings Adjustment Factor), N37 (TPIS) and N38 (Total Operating Expenses). Support Asset Costs (cell N27) was excluded from this adjustment because non-regulated costs were removed independently by QSI within the Support Assets Factors study.

vi. Incorporating Adjusted Support Asset Values Attributable to Common Costs

REVISION REQUIRED

QSI adjusted the support asset cost portion of the common cost numerator to flow through the changes in support asset costs made by QSI in Attachment 13 (*Support Assets (QSI).xls*).

RECALCULATION SPECIFICS

Adjustment 9 (column O) replaces SBC's proposed support asset cost additive to common costs with a revised additive calculated with values from the adjusted support assets cost study in Attachment 13. The revised cost additive is located in cell O27.

SBC calculates support asset costs attributable to common costs by first determining what proportion of common costs in the 67XX Accounts are comprised of wages and salaries. This calculation is done on worksheet *Tab 2 – Inputs*, rows 273 through 293. The composite wages and salaries amount for the 67XX Accounts is then multiplied by operating expense and capital cost factors derived from support assets cost data to calculate the support assets costs attributable to common costs. This portion of the analysis is on rows 295 through 317.

The exception to this general methodology is SBC's separate calculation of support assets costs attributable to General Purpose Computers. SBC adds support asset costs calculated with the aforementioned wages and salaries associated with General Purpose Computers to a separate calculation that determines the capital costs and operating expenses associated with mainframe computers. This series of calculations is done on rows 180 through 198.

QSI's modified calculations of the common portion of support assets costs is contained below SBC's calculations on the worksheet *Tab 2 – Inputs*, rows 320 through 365. The initial balances for the Accounts listed in column A, rows 326

through 337 reflect the cumulative effect of QSI's **Adjustment Nos. 1** through **8**. QSI used the same percentages of expense attributable to wages and salaries as SBC did in its analysis to determine the common portion of wages and salaries within these Accounts.

The revised common wages and salaries were then multiplied by support asset operating expense and capital cost factors determined with modified support asset expenses and capital costs from Attachment 13 (*Support Assets (QSI).xls*). The modified support asset costs attributed to common wages and salaries are pulled into worksheet *Tab 3 - Calculations (QSI)*, column N, into the line representing that Account number. The exception to this rule of thumb is the same as noted in the SBC calculation: common costs attributed to General Purpose Computers are calculated separately.

On the same rows as the SBC calculation for General Purpose Computers, *Tab 2 – Inputs*, rows 180 through 198, QSI prepared its modified calculations. Columns H and I contain the calculations made by QSI. The revised capital costs and operating expenses associated with mainframe computers is pulled into *Tab 3 - Calculations (QSI)* to Accounts 2124 and 6124.

The combined support asset costs in cells N81 and N97 in *Tab 3 - Calculations (QSI)*, are pulled into QSI **Adjustment 9**, cell O27 on worksheet *Tab 1 – Results*.

N/A. Adjustment of Ad Valorem Taxes Using Investment at Current Cost

REVISION REQUIRED

QSI calculated a reduced Ad Valorem tax factor by using an investment denominator based upon current cost rather than book cost. This adjustment reflects consistency with QSI's adjustment of the Ad Valorem ACF in Section IIIB (iv) of the testimony.

RECALCULATION SPECIFICS

In **Adjustment 10**, (column P), QSI incorporates a modified Ad Valorem tax expense into the common cost factor by applying a reduced tax factor to TPIS brought to current value. Ad Valorem tax expense is calculated in *Tab 2 – Inputs*, rows 152 through 176. QSI calculated a modified Ad Valorem tax factor by adjusting the average book investment, which is used as a denominator, to current value using SBC's 2000 CC/BC ratios.

We modified SBC's CC/BC ratio worksheet to calculate a composite CC/BC ratio for all plant investment in total. This was done in Attachment 12 (*Illinois 2001*

CC_BC (QSI).xls, Excel column K, cell K33. This composite CC/BC ratio, ** **, was multiplied by 2001 average book investment, **\$ **, to produce average investment at current cost of **\$ **. This calculation is done in cell K157 on *Tab 2 – Inputs*.

The adjusted Ad Valorem tax factor is then multiplied by TPIS at current cost to calculate adjusted Ad Valorem tax expense which is pulled into *Tab 1 – Results*, cells P29 and P40.

B. Shared Costs (Critique of SBC’s Analysis)

IIA (i). Shared Cost Denominator Based Upon Book Investment at Current Cost

REVISION REQUIRED

QSI modified SBC’s wholesale direct cost denominator by applying Wholesale Direct Cost Percentage to QSI’s adjusted direct cost used in the common cost factor.

RECALCULATION SPECIFICS

In **Adjustment 1** (column G) of the QSI Recommended Adjustment section within SBC’s Shared and Common cost study, Attachment 5 (*IL_ SC_ 2001_12-13-02 (QSI).xls*), *Tab 1 – Results*, QSI multiplied SBC’s Wholesale Direct Cost Percentage of ** %** in cell G67 by direct cost before inflation in cell G66. This adjustment reduces the shared cost factor by 33%.

Adjustment 2 (column H) offsets the reduction made in Adjustment 1 by applying the lower capital cost factors recommended by Ms. Murray and Mr. Majoros.

i. Elimination of Wholesale Product Advertising and Reduction in Wholesale Marketing Costs

REVISION REQUIRED

QSI eliminated wholesale product advertising as an unwarranted cost in the pricing of UNEs since SBC does not undertake initiatives aimed at “stimulating the purchase” of UNEs. QSI also reduced marketing costs in Account 6611 (*Product Management*) and Account 6612 (*Product Sales*) attributable to wholesale operations to reflect a more reasonable allocation of these product support costs to purchasers of UNEs.

RECALCULATION SPECIFICS

Adjustment 6 (column L), cells L52 and L53 on worksheet *Tab 1 – Results*, contains the end result of QSI’s adjustments to wholesale marketing costs. The value in cell L52 is calculated on worksheet *Tab 3 - Calculations (QSI)*, cell J162. Account 6613 (*Product Advertising*) is eliminated through a forward-looking adjustment in cell I161. The net Total Marketing Costs in cell J162 are then pulled into cell L52 on *Tab 1 – Results*.

The percentage of Total Marketing costs attributable to wholesale operations was then reduced to ** %** based up the relationship of total UNE revenue reported by SBC in 2001 to total operating revenue in 2001. UNE revenue of **\$** was obtained from SBC’s response to Joint CLEC data request 1.04. Total operating revenue of \$4,147,647,000 was obtained from SBC’s ARMIS 43-03 report.

The modified Total Marketing Costs in cell L52 were then multiplied by the modified Wholesale Marketing Percentage in cell L53 to produce a modified Wholesale Marketing Cost for the shared cost numerator.

ii. Wholesale Uncollectible Costs are Reduced to Reflect SBC’S Actual Experience with Amounts Impracticable of Collection Over The Last Five Years.

REVISION REQUIRED

SBC’s assumptions for wholesale uncollectible costs must be modified to reflect its actual experience with amounts impracticable of collection over the last five years. Instead SBC uses the amount of bad debt expense it recorded in 2001 through the allowance-for-doubtful-Accounts process for all of its sales on credit as a starting point. SBC then determines what portion of this total bad debt expense is attributable to all wholesale services. SBC’s true uncollectible cost should be significantly lower based upon its history of recoveries and amounts actually written off as impracticable of collection.

RECALCULATION SPECIFICS

In **Adjustment 7** (column M), QSI’s adjustment reflects a smoothing of SBC’s wholesale uncollectible expense based on SBC’s actual write-off experience versus its bad debt expense from 1998-2002. SBC provided this information in response to Staff data request TQS 1.07. Based upon a summation of the bad debt expense and write-offs from 1998 – 2002, QSI determined that approximately ** %** of bad debt was eventually recovered.

QSI adjusted the starting point of bad debt expense used in the shared cost component of the analysis by utilizing a trend line to smooth out expenses over the five-year period. Instead of using the **\$ ** proposed by SBC as its uncollectible cost component, QSI adjusted this amount to fit the trend line contained in Attachment 6 (*Analysis of SBC's Wholesale Uncollectible Cost*). The resulting adjusted bad debt expense is **\$ **. This amount is then adjusted further by the percentage of bad debt that will likely be collected, ** % **. The remaining portion, **\$ should be considered the forward-looking uncollectible expense.

The **\$ ** is contained in cell M58 on *Tab 1 – Results*.

iv. Failure to Isolate Regulated Versus Non-Regulated Data

REVISION REQUIRED

QSI removed non-regulated expenses and revenue from SBC's shared cost analysis to reflect the impact of using amounts from SBC's regulated operations only in the same way it removed these expenses from common costs.

RECALCULATION SPECIFICS

Adjustment 8 (column N), reflects the removal of non-regulated expenses and investment from the shared cost factor calculation. A percentage reflecting the regulated portion of each individual expense and investment Account was derived from SBC's ARMIS 43-03 report filed with the FCC. The ARMIS 43-03 report breaks out book investment and expense into three primary categories: (1) Total, (2) Total Regulated and (3) Total Non-Regulated. 2001 information for all Accounts is contained worksheet *ARMIS 43-03*, rows 685 through 854.

QSI calculated a percentage representing the regulated portion of each individual Account balance in column J of worksheet *ARMIS 43-03*. The regulated percentages for the Accounts used in the common cost analysis were then pulled into equations calculating regulated-only costs via formula reference on worksheet *Tab 1 – Results*. The regulated percentages are applied to the adjusted balances in column M. The algorithm to make this adjustment is: (Expense and Direct Cost values in column M) X (Regulated % from *ARMIS 43-03*). The specific cells where this adjustment is made are N52 (Total Marketing costs), N58 (Wholesale Uncollectible costs) and N66 (Total Direct Cost).

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
Filing to increase Unbundled Loop and)	Docket No. 02-0864
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24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 6

**Analysis of SBC's Wholesale
Uncollectible Cost**

**This Attachment includes CONFIDENTIAL DATA and is available
only to those parties having signed the appropriate non-disclosure
agreement**

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
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24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 7

**ACFs Modified with AT&T / MCI's
Recommended Cost of Capital**

**This Attachment includes CONFIDENTIAL DATA and is available
only to those parties having signed the appropriate non-disclosure
agreement**

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
Filing to increase Unbundled Loop and)	Docket No. 02-0864
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24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 8

**ACFs Modified with AT&T / MCI's
Recommended Depreciation Lives**

**This Attachment includes CONFIDENTIAL DATA and is available
only to those parties having signed the appropriate non-disclosure
agreement**

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
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24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 9

**ACFs Modified with AT&T / MCI's
Recommended Cost of Capital and
Depreciation Lives**

**This Attachment includes CONFIDENTIAL DATA and is available
only to those parties having signed the appropriate non-disclosure
agreement**

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
Filing to increase Unbundled Loop and)	Docket No. 02-0864
Nonrecurring Rates (Tariffs filed December)	
24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 10

**ACFs Modified with All Recommended
Adjustments**

**This Attachment includes CONFIDENTIAL DATA and is available
only to those parties having signed the appropriate non-disclosure
agreement**

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
Filing to increase Unbundled Loop and)	Docket No. 02-0864
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24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 11

(Attachment Intentionally Omitted)

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
Filing to increase Unbundled Loop and)	Docket No. 02-0864
Nonrecurring Rates (Tariffs filed December)	
24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 12

Modified SBC CC / BC Ratio Calculation

**This Attachment includes CONFIDENTIAL DATA and is available
only to those parties having signed the appropriate non-disclosure
agreement**

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

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)	
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24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 13

**Modified SBC Support Assets Factors
Study**

**This Attachment includes CONFIDENTIAL DATA and is available
only to those parties having signed the appropriate non-disclosure
agreement**

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
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24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 14

**Modified CAPCS Study for Support
Assets Factors Study**

**This Attachment includes CONFIDENTIAL DATA and is available
only to those parties having signed the appropriate non-disclosure
agreement**

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
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24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 15

**Modified SBC California Support Assets
Factor Study**

**This Attachment includes CONFIDENTIAL DATA and is available
only to those parties having signed the appropriate non-disclosure
agreement**

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
Filing to increase Unbundled Loop and)	Docket No. 02-0864
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24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 16

**Modified SWBT Support Assets Factors
Study**

**This Attachment includes CONFIDENTIAL DATA and is available
only to those parties having signed the appropriate non-disclosure
agreement**

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
Filing to increase Unbundled Loop and)	Docket No. 02-0864
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24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 17

Inflation and Productivity Analysis

**This Attachment includes CONFIDENTIAL DATA and is available
only to those parties having signed the appropriate non-disclosure
agreement**

**BEFORE THE
ILLINOIS COMMERCE COMMISSION**

Illinois Bell Telephone Company)	
)	
Filing to increase Unbundled Loop and)	Docket No. 02-0864
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24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 18

**Excerpt from FCC's Trends in Telephone
Service – May 2002 on Productivity**

Trends in Telephone Service



*Industry Analysis and Technology Division
Wireline Competition Bureau*

May 2002

This report is available for reference in the FCC's Information Center at 445 12th Street, S.W., Courtyard Level. Copies may be purchased by calling Qualex International, Portals II, 445 12th Street S.W., Room CY-B402, Washington DC 20554 at (202) 863-2893, facimile (202) 863-2898, or via e-mail qualexint@aol.com. The report can also be downloaded from the **FCC-State Link** Internet site at www.fcc.gov/wcb/stats.

5 Employment and Labor Productivity

The Bureau of Labor Statistics (BLS) publishes monthly data regarding the total number of employed workers in the communications industry. Specifically, BLS compiles employment statistics for the entire telephone communications industry using the Standard Industrial Classification (SIC) 481 and for a subset of this industry, telephone communications minus radiotelephone (SIC 4813). The difference between these two figures yields the number of employees in the radiotelephone industry (SIC 4812).

SIC 4813 includes establishments primarily engaged in furnishing telephone voice and data communications, except radiotelephone and telephone answering services. SIC 4812 includes establishments primarily engaged in providing two-way radiotelephone communication services, such as cellular telephone service. It also includes telephone paging and beeper services. Neither of these categories includes employees from establishments primarily engaged in furnishing telephone answering services, manufacturing equipment, or engineering and research services.

Table 5.1 and the associated graph show the annual average employment figures in the telephone communications industry separately for SIC 4812 and SIC 4813 from 1951 to 2001. Since 1990, employment in the telephone communications industry has grown modestly. Most of the growth in employment over this period is the result of substantial increases in the radiotelephone industry, which grew at an annual average growth rate of approximately 20%.

BLS also calculates an annual telecommunications industry labor productivity index. The BLS index of labor productivity relates output to the employee hours expended in producing that output. This index, presented in Table 5.2, rose an average 6.0% per year from 1951 to 1999, with 1999 being the most recent data available. This average labor productivity factor is higher than the average in other industries (typically somewhere around 3 to 4%). This higher than average annual growth rate may be the result of telephone companies utilizing more efficient, advanced technology and increases in human capital. Table 5.2 and the associated graph illustrate the rising trend in telecommunications labor productivity since 1951.

Table 5.3 presents estimates of the number of telecommunications service providers that are small businesses as defined by the Small Business Administration's Office of Size Standards (i.e., 1,500 or fewer employees, including all affiliates).

Table 5.1
Annual Average Number of Employees
in the Telephone Communications Industry
(In Thousands)

Year	Radiotelephone	All Other Telephone	Year	Radiotelephone	All Other Telephone	Year	Radiotelephone	All Other Telephone
1951	15.2	628.8	1969	20.5	849.5	1987	21.1	880.8
1952	16.0	662.4	1970	22.2	919.9	1988	23.2	877.9
1953	16.6	685.6	1971	22.4	929.2	1989 1/	29.9	856.0
1954	16.5	682.3	1972	22.5	933.6	1990	38.2	874.8
1955	16.6	690.1	1973	23.2	958.0	1991	45.6	863.6
1956	17.7	733.5	1974	23.6	977.2	1992	53.1	832.1
1957	18.1	750.1	1975	22.8	943.8	1993	63.1	815.9
1958	17.2	714.9	1976	22.5	930.7	1994	81.0	812.4
1959	16.7	690.4	1977	22.6	934.7	1995	102.5	797.2
1960	16.6	689.4	1978	23.4	971.4	1996	124.9	786.1
1961	16.3	677.0	1979	24.8	1,023.4	1997	150.7	820.3
1962	16.2	671.3	1980	25.3	1,046.9	1998	164.3	848.5
1963	16.2	669.3	1981	25.3	1,052.0	1999	182.7	892.4
1964	16.6	689.5	1982	25.3	1,046.5	2000	204.4	929.5
1965	17.3	717.9	1983 1/	23.8	986.5	2001	208.1	958.6
1966	18.3	755.1	1984	22.4	931.0			
1967	19.0	787.5	1985	21.6	899.1			
1968	19.2	793.2	1986 1/	20.7	862.7			

1/ Due to Bell operating company employee strikes in 1983, 1986, and 1989, which lasted one month each, the reported annual average of workers for those particular years is an average of the eleven months in which workers did not strike.

Source: Bureau of Labor Statistics.

Chart 5.1
Annual Average Number of Employees
in the Telephone Communications Industry
1951 - 2001

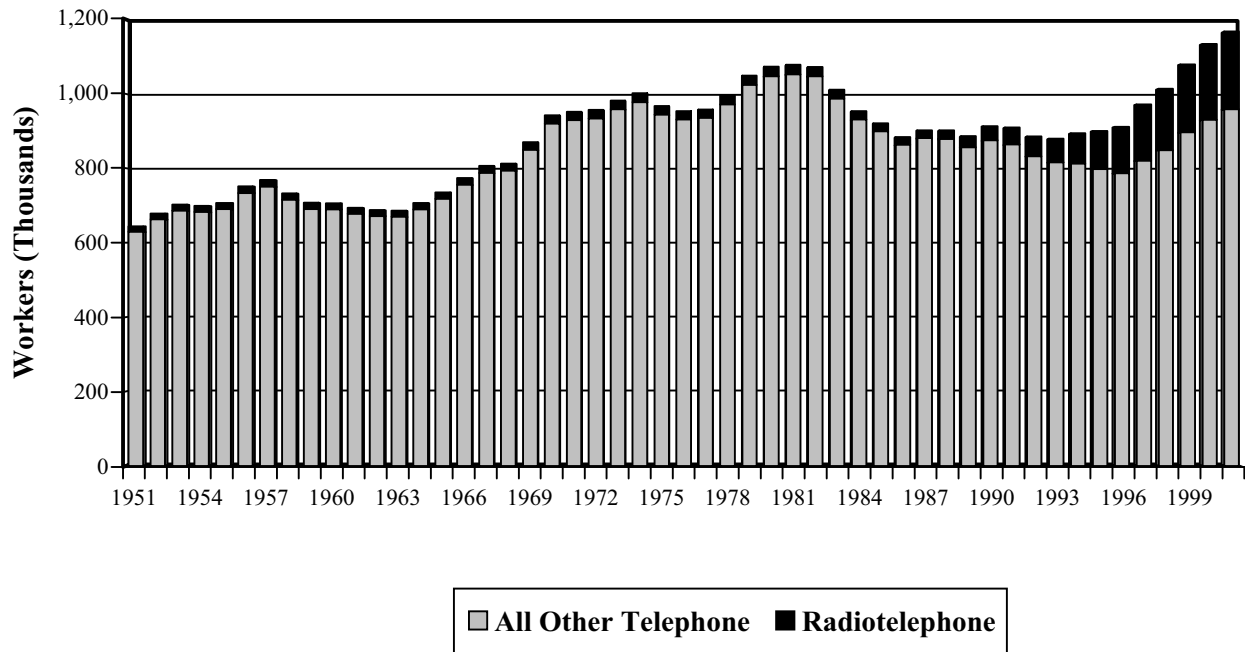
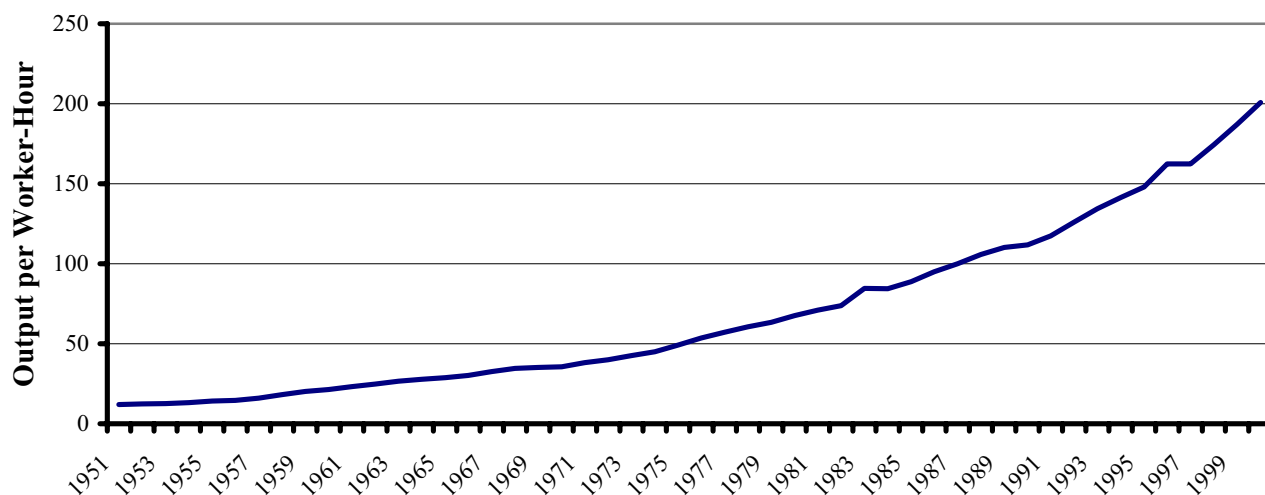


Table 5.2
Labor Productivity Index for the Telephone Communications
Industry Measured in Output per Hour (OPH)
(Base Year 1987=100)

Year	OPH Index	Year	OPH Index	Year	OPH Index
1951	12.0	1968	34.7	1985	88.9
1952	12.4	1969	35.3	1986	95.0
1953	12.6	1970	35.6	1987	100.0
1954	13.2	1971	38.3	1988	105.9
1955	14.3	1972	40.1	1989	110.3
1956	14.6	1973	42.7	1990	111.9
1957	16.1	1974	45.0	1991	117.5
1958	18.2	1975	49.3	1992	126.1
1959	20.3	1976	53.6	1993	134.5
1960	21.4	1977	57.3	1994	141.5
1961	23.3	1978	60.6	1995	148.1
1962	24.8	1979	63.5	1996	162.5
1963	26.6	1980	67.6	1997	162.5
1964	27.8	1981	71.1	1998	174.4
1965	28.9	1982	73.8	1999	187.2
1966	30.3	1983	84.6	2000	200.8
1967	32.6	1984	84.5		

Source: Bureau of Labor Statistics.

Chart 5.2
Telephone Communications Industry
(SIC 481) Labor Productivity Index



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24, 2002))	

DIRECT TESTIMONY OF

**MICHAEL STARKEY
WARREN FISCHER, C.P.A.**

ATTACHMENT 19

**Copy of SBC Witness Palmer's
Testimony on Fill Factors**

REBUTTAL TESTIMONY OF WILLIAM C. PALMER
ON BEHALF OF AMERITECH ILLINOIS

Background

Q. Please state your name and business address.

A. My name is William C. Palmer. My business address is 225 W. Randolph Street, Chicago, Illinois 60606.

Q. Are you the same William C. Palmer who previously filed direct testimony in this proceeding?

A. Yes, I am.

1 Q. Can you give an illustration of how the Company applied fill factors?

2
3 A. Yes. For simplicity's sake, assume a network of 100 loops with a pre-Act usable capacity
4 of 90% and a per loop cost of \$1. Under the usable capacity assumption the unit cost per
5 loop was:

$$\begin{array}{rcl} 6 & 100 \text{ loops} \times \$1.00 & \\ 7 & \hline & & \text{or } \$1.11 \text{ per loop.} \\ 8 & 100 \text{ loops} \times .90. & \end{array}$$

9 Next, we took a "fresh look" at usable capacity in June 1996 in light of the Act. For
10 reasons previously discussed, we determined that, in the case of feeder plant, a more
11 appropriate estimate of usable capacity would be 85%. Thus, under "fresh look" the unit
12 cost per loop was:

$$\begin{array}{rcl} 13 & 100 \text{ loops} \times \$1.00 \text{ per loop} & \\ 14 & \hline & & \text{or } \$1.18 \text{ per loop} \\ 15 & 100 \text{ loops} \times .85. & \end{array}$$

16 Finally, after the FCC rules were released in August 1996, we made the target capacity
17 adjustment. In the case of loops, we re-ran the AFAM model with a target utilization of
18 75%. Under that assumption our unit cost per loop is:

$$\begin{array}{rcl} 19 & 100 \text{ loops} \times \$1.00 \text{ per loop} & \\ 20 & \hline & & \text{or } \$1.33 \text{ per loop} \\ 21 & 100 \text{ loops} \times .75. & \end{array}$$

22 However, since the unit costs calculated in June for arbitration purposes had already been
23 documented and flowed through all the workpapers leading to the spreadsheet that
24 allocated the shared and common costs identified by Andersen, in the arbitrations we

1 chose simply to add the incremental difference -- between the costs calculated using the
2 target fill assumption and those using the "fresh look" assumption -- to the "fresh look"
3 unit costs. Thus, following our hypothetical, we added \$.15 (the difference between \$1.33
4 and \$1.18) to each previously determined loop cost. However, the studies presented in
5 this proceeding combine the two fill factor adjustments into one adjustment.

6
7 Notice that if actual fill is 64%, the cost authorized by the FCC would be

8
$$\frac{100 \times \$1.00}{100 \times .5}$$

9 or \$1.56 per loop.
10

11 The difference between the \$1.33 and the \$1.56 is a cost that appears in our residual
12 category.

13
14 **Q. Dr. Ankum asserts (p. 16) that Ameritech's calculation of unbundled loop unit costs**
15 **forces Ameritech's current customers to pay for the spare capacity put in place to**
16 **serve future customers. Is he correct?**

17
18 **A. No, he is not. Dr. Ankum's interpretation of paragraph 682 in the FCC's First Report and**
19 **Order is not reasonable. As an initial matter, he fails to distinguish between spare capacity**
20 **that is not growth-related (that is, spare capacity necessary to address maintenance,**
21 **administration, defective loop pairs, etc.) and "growth-related" spare capacity. Actual fill**
22 **factors reflect both types of spare capacity. While target fill factors reflect some growth-**